



Comisión Nacional
de Hidrocarburos



SENER
SECRETARÍA DE ENERGÍA



The E&P in Mexico

The new approach for the regulatory framework in E&P through the energy reform

Enrique Silva Pérez
General Direction for Regulation and Normativity

January 28th, 2014, New Orleans, LA, U.S.A.

E&P Regulatory Systems

Prescriptive

Prescriptive approach directs oil and gas activities through detailed regulations and requirements. Regulators impose technical standards

China, Indonesia, Malaysia

Performance based

Performance based system requires regulators to get fully involved in each project. Case by case assessment. Operators have to be more proactive in the design of their projects.

Norway, UK, Australia, Canada

Some regulators adopted a hybrid approach by being prescriptive in areas deemed critical, while also establishing broad performance parameters where the industry needs to meet particular objectives.

E&P Regulatory Systems

Prescriptive

Characteristics

- Need detailed regulation and requirements for oil and gas activities. → High number of compulsory technical standards.
- Implies less flexibility in the operations.

Operators

Operating plans and environmental impact assessments must still be submitted and approved, but mainly to prove regulatory compliance. Approvals are generally granted more quickly.

Regulators

Regulators play an active role setting the requirements for operators and enforcing technical standards.

E&P Regulatory Systems

Performance based

Characteristics

- Based on government and industry objectives.
- Demands extensive participation from industry, employees and regulator in terms of expertise, management and flexibility.
- Regulation of business emphasizes efficiency rather than maximum oversight.

Operators

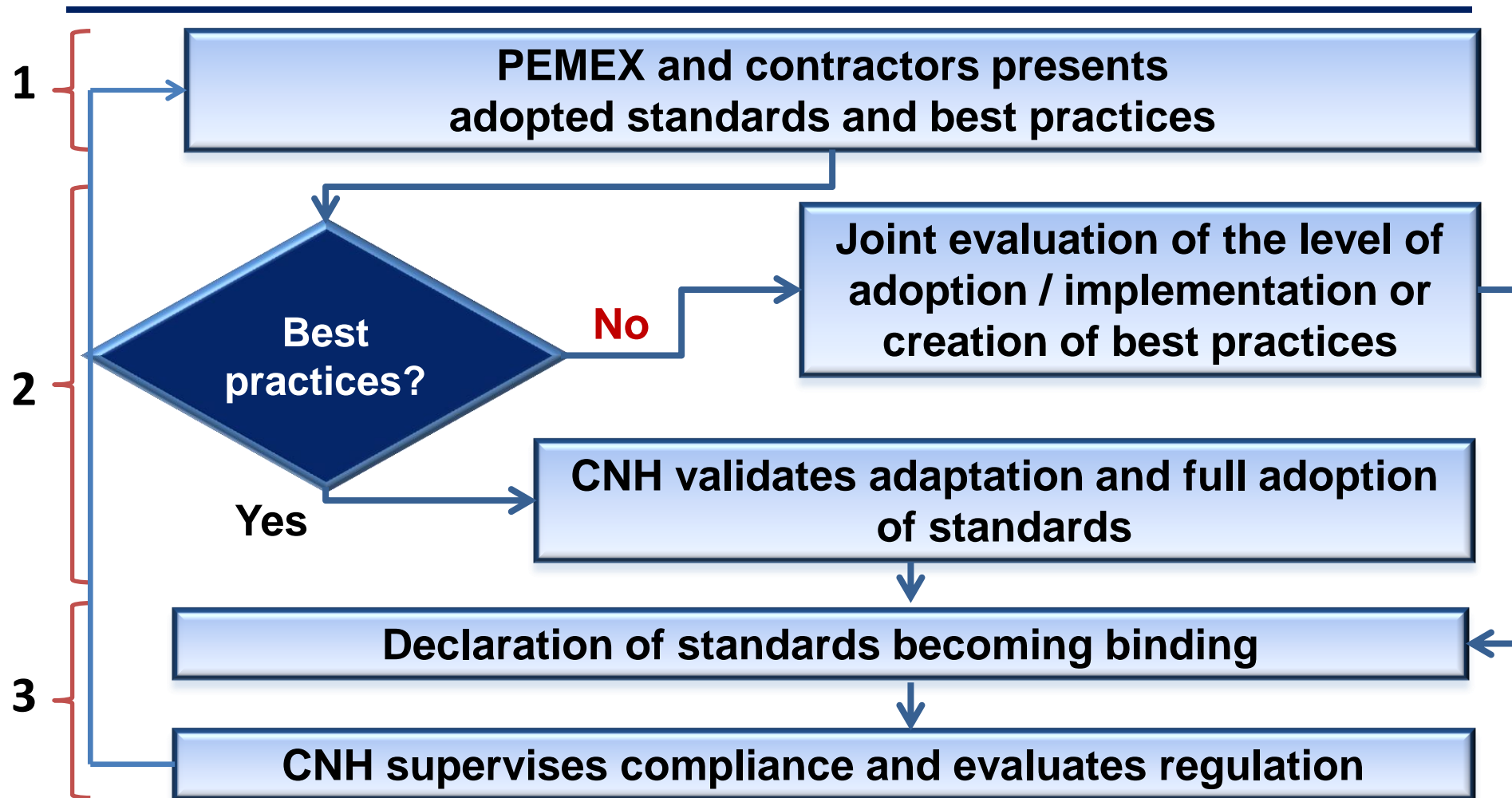
Operators must prove they have identified the technology, methods, risks and equipment that meet the objectives (or statutory obligations).

Regulators

Regulators must set the objectives, keep abreast and participate in developing and revising the industry standards.

Supervision involves administrative management systems at the companies ensuring acceptable operation.

CNH REGULATORY SCHEME



REGULATORY RISKS



POOR QUALITY. Objectives are useless nor adjusted to legal framework. Lack of clarity.



INOPERATIVE. Lack of review and debate within the design process.



INEFFICIENT. Over-regulation, duplication and redundancies.

An efficient regulation contributes to sustainable exploitation of hydrocarbons in the country.

- **Mexico's regulatory approach.**
 - **Regulatory International comparative analysis**
 - **E&P Regulatory systems.**
 - **Prescriptive model.**
 - **Performance based model.**
 - **CNH's Regulatory scheme.**
 - **Regulatory Risk**
- **Regulation enacted by CNH.**
- **Constitutional Energy Reform in Mexico.**

Regulation enacted by the CNH

As at 2013

**Rules to reduce the flaring and venting
of natural gas**

December 4, 2009

**Technical guidelines for the design of
new projects**

December 21, 2009

**Guidelines to acknowledge the certification
of oil and gas reserves**

August 4, 2010

Guidelines for deep water projects (1st package)

December 11, 2011

Metering

June 16, 2011

Hydrocarbons Resources Assessment

November, 2013

Well integrity

January, 2014

Shale gas (1st package)

February, 2014

National Registry Wells

March, 2014

Exploratory Planning

April, 2014

Seismic Permits

April, 2014